

Many of us are unaware that services we assume are free actually have a fee attached. Most of the time we don't even think to ask about the charges. And that can be expensive. Any business that provides a service can tack on fees that may be tough to discover without a magnifying glass. But the most costly by far are hidden charges we pay over and over again for credit cards and bank accounts.

To help you avoid them, we have put together a collection of the most common and surprising charges. We also advise how best to fight them.

CREDIT CARDS

Issuers of bank credit cards aggressively seek to increase income by raising fees and adding more stringent terms and conditions.

A significant number have reduced the grace period (period you have to pay your bill before interest is added) to 20 days. Also if your payment arrives one day late, you could be billed an extra \$30. Late fees have risen 46% in the last two years and now average \$19.42.

Once you reach your credit limit, you can continue to make purchases, but you'll be charged a stiff penalty for exceeding the maximum. These fees - which average \$18.66 and often go up to \$30 - are charged **in addition** to interest on the unpaid balance. What's more, penalty fees sometimes put consumers over their credit limit, thus triggering new fees.

CHARGES TO WATCH FOR:

Monthly service fees of \$1 to \$5, in addition to the annual fee.

A cancellation fee of \$25 for transferring your balance to another card within the first year or two.

Cash-advance fees of 2% to 4% or \$30 per transaction, plus interest that's often higher than the rate for purchases.

An annual fee of \$25 for paying all bills in full by the due date. As a rule, "convenience users" (those who never pay interest) must charge at least \$3,000 a year - \$10,000 on a rebate card - to be profitable for the creditor. Unprofitable cardholders risk new fees or cancellation.

Dormant account fees. Some creditors charge \$15 if you haven't used your card in six months.



An increased interest rate on your unpaid balance for failing to pay the minimum on time. The punitive rate for "high-risk customers" is generally 22% to 26%, but it can go as high as 32.6%.

HOW TO FIGHT BACK...

Keep only two credit cards - at least one with no annual fee, the other with a low interest rate. Use the latter for charges you don't pay in full and pay at least the minimum before the due date. Use the no annual fee card if you plan to pay the balance every month.

Examine all statements carefully for fees and rates (which may change monthly).

Complain about high fees and request a better deal. If that fails, transfer your balance to another card. (Some of them offer a bonus and/or lower rates on transferred balances.)

BANKS

You should be able to avoid monthly maintenance fees by keeping a minimum balance in your checking account (\$500 is often enough - Seniors often have a lower amount or none). More than 200 different fees are on the books and new fees appear to be introduced daily. The trend seems to be a separate charge for every service.



CHARGES TO WATCH FOR:

The average fee for overdrawn accounts is \$17.39, but \$30 is common.

Stop-payment fees average \$15, but go up to \$30.

Return charges (when a check you deposited bounces) are often \$5 to \$10.

ATM surcharges of \$1 to \$2.50 may be levied twice - by your bank and by the ATM's owner, if it's different.

Replacing a lost ATM card can cost \$15, but most banks charge \$5 - and many will waive that.

Getting your account balance statements from an ATM could cost an extra \$1.

Debit-card fees, charged by 30% of all banks, range from 25 to 50 cents per transaction.

Closing an account within the first year costs an average of \$12.56, some banks charge \$50.

Inactive accounts (commonly those that haven't been used for six months or a year) may be charged \$1 to \$5 a month, even though a \$1 transaction makes them "active" again.

Fees of \$10 may be levied if you make too many withdrawals from a savings account.

Automatic transfers from savings to checking can eliminate bounced check charges, but often result in a fee - typically \$3 per transaction.

Using a counter check or deposit slip instead of prepared forms can cost 50 cents to \$1.50.

Visit a safe deposit box too often and it may cost you \$1 per visit.

Depositing bags of coins could mean a loss of a nickel or dime for each roll the bank sorts.

Teller assistance can cost \$1 to \$9.50 per transaction for consumers with an electronic or "self-service" account. Some banks also charge for calls to a computer phone center.

Getting a check certified usually costs \$10 to \$15.

A duplicate copy of your monthly statement could set you back \$5.

HOW TO FIGHT BACK...

Switch to a small community bank or credit union. Small banks consistently charge less than multi-branch giants. If switching is inconvenient, talk to a bank officer about cutting costs.

Cash held in certificates of deposit and even mortgage accounts may count toward the minimum required for a no-fee checking account. Be sure to ask.

If you're unhappy with fees or services, don't hesitate to complain. Banks may waive charges to keep good customers happy.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Car Financing Scams
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit and Older Consumers
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Indiana Uniform Consumer Credit Code
Look Before you Lease
Mortgage Loans
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Scoring for Credit
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



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HOW TO AVOID HIDDEN CHARGES



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